

# Iceland Gives U.S. Consumer Foods a Warm Reception

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A small country with a population of just over 282,000, Iceland offers some good opportunities for U.S. suppliers and exporters of consumer foods and beverages.

Iceland's supermarket industry reported total sales of \$452 million in 2000. Iceland imported about \$76.8 million in consumer food products that year, and the U.S. market share was about 17 percent. U.S. exports of consumer-ready foods to Iceland consist mainly of canned or dried food products and frozen vegetables.

## Be Prepared—Or, Let's Make a Deal

Iceland offers many advantages to Americans who want to do business. Practically all Icelanders speak English, so there is no language barrier.

Icelandic buyers frequent such major international food trade shows as ANUGA and SIAL in Europe and the Food Marketing Institute show in the United States, so they tend to be very familiar with the retail food sector.

Unlike business people from many other cultures around the world, Icelanders are direct, concise and to-the-point. They don't want to waste your time—or their own.

Likewise, Icelanders expect you to come straight to the point. They give you their frank opinions, such as whether they think you have something to offer them or not. Icelanders usually know their competitors' activities, prices and quality. They understand the need to turn a profit, but they can be tough negotiators.



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In fact, the Icelandic importer has often made up his or her mind about a product before being approached by a seller. It's therefore essential to be ready to negotiate prices, discounts, delivery periods, ordering times and other particulars on the spot.

Since Icelandic food buyers and product managers bear the full responsibility for the purchasing process and for the profits and losses generated by the products they pick, they prefer to deal with decision makers.

Icelanders also have high expectations for their business contacts: they prefer a close working relationship that is almost a partnership. Once you start doing business with them, they expect continued commitment and support.

## Consumers With Discriminating Tastes

Iceland's consumers also offer built-in advantages for U.S. products. U.S. brands are generally well-known and preferred.

New products from the United States often have an advantage. For this reason, Iceland also has potential as a test market for U.S. products being introduced into Europe.

The Icelandic market differs from most other European markets in that a large proportion of the U.S.-brand foods sold here are still shipped directly from the United States, rather than being processed in-country (as is the practice in much of Europe). Moreover, Icelandic consumers are sophisticated enough to tell the difference between U.S. and European versions of a product, and usually prefer the U.S. product because they perceive it to be of better quality than European processed foods.

Iceland has shifting demographics: 25 percent of the small but growing population is under the age of 15; only 12 percent is over 65. Per capita gross domestic product was a robust \$30,597 in 2000, and unemployment was 2 percent.

Icelandic eating habits are also changing. Prosperous young consumers are demanding more convenience, fresh foods, variety and specialty items. Organic, health and convenience foods present considerable sales potential.

### Coming Up to Standard

Nevertheless, the Icelandic market can be difficult to penetrate. The best strategy is to become very familiar with rules and regulations before trying to enter it.

Product requirements are numerous and vary from product to product. The requirements may originate from either Icelandic or European Union (EU) laws and regulations. Although Iceland is not an EU member, it often follows EU import standards and requirements. To meet them all, most exporters must have the assistance of reputable and experienced Icelandic importers.

In general, consumer products must be labeled in English, Icelandic or another



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Nordic language (except Finnish). Certain products must be marked clearly with the country of origin. "Sell by" or "Best before" dates must be clearly indicated.

In most cases, frozen and other processed food products must meet EU rules. The importer can usually do any necessary re-labeling when the goods arrive in Iceland. The importer also bears the responsibility for compliance with Icelandic regulations. Weights and measures must appear in metric units. Exporters should carefully follow importers' instructions and ensure accuracy in labeling and other documentation, because failure to do so can cause customs delays and increase expenses.

Products derived from biotechnology are not a controversial issue in Iceland at the moment, because the country has not yet implemented biotech labeling requirements. However, due to its growing integration with the EU, Iceland will likely adopt the trade bloc's rules on biotech content and labeling.

Dairy and livestock products must have official U.S. certificates of health and of origin. Certificates must confirm that dairy and livestock products do not come from animals that have been given growth stimulants or feed containing antibiotics.

### Market Sector Structure and Trends

Iceland's supermarkets hold an 87-percent share of the consumer food market,

while kiosks and gas station marts make up the balance. Specialty stores are losing market share to supermarkets because they do not have economies of scale. Discount supermarkets and convenience store chains, on the other hand, are gaining. Because of the market's small size, a few companies do most of the retail food buying. The two largest supermarket groups, Baugur and Búr, are increasing their market share, while smaller supermarkets are declining or merging.

Icelandic supermarkets buy most of their products from independent wholesalers, both large and small. Large chains like Baugur and Kaupás import about 15 percent of their stock themselves and buy the other 85 percent from independent wholesalers. Smaller supermarket chains buy their products exclusively from independent wholesalers.

Icelandic supermarket chains often introduce new products in campaigns planned several months ahead. Exporters should be prepared to contribute to promotion efforts. ■

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## Best U.S. Product Prospects

U.S. high-value products with good sales potential include:

- American cheese
- Baby food
- Breakfast cereals
- Butter
- Dressings
- Fruits and vegetables
- Frozen prepared items
- Ice cream
- Ketchup
- Organic products
- Pastry
- Pet food
- Ready-to-serve products
- Sweet corn
- Wines

For details, see FAS report IC2001. To find it on the Web, go to [www.fas.usda.gov](http://www.fas.usda.gov), select **Attaché Reports** and follow the prompts.

